

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI
STATE OF MISSOURI
DIVISION I

SCOTT B. LAKIN, Director)	
Department of Insurance, State of Missouri,)	
As Rehabilitator of General American)	
Mutual Holding Company,)	
)	
Plaintiff,)	
)	
v.)	Case No. 99 CV 323050
)	
GENERAL AMERICAN MUTUAL)	
HOLDING COMPANY,)	
A Missouri Mutual Holding Company,)	
)	
Defendant.)	

REPORT TO THE COURT

COMES NOW the Special Deputy Liquidator and files this report to the Court pursuant to §§ 375.1176, 375.1190 and 375.1200 RSMo 2000.

INTRODUCTION

Albert A. Riederer, the duly appointed Special Deputy Liquidator (“SDL”) of General American Mutual Holding Company (“GAMHC”), files this report to the Court in order to satisfy the requirements of §§ 375.1176, 375.1190 and 375.1200, which require the liquidator of GAMHC to file periodic financial reports to this Court which shall include a list of the assets and liabilities of GAMHC. A list of GAMHC’s assets and liabilities is attached hereto as Exhibit A and incorporated herein by reference. In addition, this Report will advise this Court regarding developments on certain issues facing GAMHC. The majority of GAMHC’s activities relate to the continued execution of the GAMHC Plan of Reorganization, the investment of the proceeds from the sale of GenAmerica Corporation stock to Metropolitan Life Insurance Company (“MetLife”), the inquiry into the General American Life Insurance Company (“GALIC”) liquidity crisis, and the resolution of the claims and taxes facing GAMHC.

EXECUTION OF GAMHC PLAN OF REORGANIZATION

The purpose of GAMHC's Plan of Reorganization was to facilitate the sale of the outstanding shares of common stock of GenAmerica Corporation by GAMHC to MetLife, and to distribute the proceeds of such sale. GAMHC Plan of Reorganization Recital B. The Stock Purchase Agreement by and between GAMHC and Metropolitan Life Insurance Company dated as of August 26, 1999 and amended on January 6, 2000, closed on January 6, 2000 ("Stock Purchase Agreement"). Pursuant to Section 4.2 of the Plan of Reorganization, the SDL must formulate a schedule of GAMHC's members and their membership interests ("membership schedule"). Since that date, the SDL has worked jointly with GALIC personnel, actuarial consultants and legal counsel to create the required membership schedule.

On November 10, 1999, GALIC entered into an Administrative Services Agreement ("agreement") with GAMHC. The purpose of the agreement was to secure GALIC's assistance to implement the GAMHC Plan of Reorganization and the Stock Purchase Agreement. GALIC refers to its work to create the membership schedule as the "Distribution of Value Project" ("the Project"). The Project involves the identification of GAMHC's members and the extraction of the financial information required to determine each member's membership interest. The actual work is divided between the different lines of business at GALIC, with the exception of the Group Life and Health and the Individual Annuity lines of business which have been transferred to third party administrators. Representatives from those lines of business are actively involved in the Project and are responsible for compiling the necessary data from their records. Approximately 90% of the work required to create the membership schedule is complete.

The actuaries at PricewaterhouseCoopers ("PWC") have created the calculation engine which will determine the above referenced membership interests. GALIC has begun the process of delivering the data regarding the different lines of business to PWC so a "dry run" of the

calculation engine can be completed. PWC anticipates that the “dry run” will help identify errors in the membership schedule. The “dry run” should be complete by the end of September, 2002.

The next major step in creating the membership schedule is the consolidation of the GALIC membership database. Currently the database is organized by policy or contract. The consolidation process is necessary to reorganize the database by member. Some members will own multiple policies. After the consolidation the data relating to these policies will be reorganized into a single file. Therefore, each member’s membership interest will reflect their interest in all of the policies they own.

During the Project, GALIC has asked the Special Deputy Liquidator to assist them in interpreting the rules for determining members and or membership interests contained in the Rehabilitator’s Application for Ordering Fixing Bar Date for Claims, Approving Eligibility Rules and Procedures and Approving the Form and Manner of Notice of Hearing of This Motion and for Orders Concerning Certain Related Issues as approved by this Court in the Judgment Establishing Eligibility Date, Calculation Date and Certain Other Matters with Respect to the Plan of Reorganization. The SDL, and legal counsel, is working with GALIC in order to resolve all of these issues.

Among the issues to be resolved are certain tax issues. The SDL has filed two private letter ruling requests with the Internal Revenue Service regarding the distribution. The first seeks approval of GAMHC’s plan to distribute cash to all of its members. Some of GALIC’s products included tax qualified plans that could conceivably lose their tax qualified status if they receive a cash distribution. In a standard insurance company demutualization, these tax qualified plans would receive policy credits in lieu of cash. However, GALIC has informed the SDL that the administrative costs involved in making a policy credits distribution would be substantial. Thus, to avoid this cost, the SDL has sought permission to make all distributions in cash without incurring extra tax liability either to the company or to its member-distributees. The SDL

expects to receive a response from the Internal Revenue Service before October, 2002. The second private letter ruling request seeks confirmation that the distribution will be treated as a capital gain for the members as opposed to ordinary income. The SDL expects to receive a response from the Internal Revenue Service before a distribution is made.

GAMHC has entered final negotiations with EquiServe to act as transfer agent for the distribution. EquiServe will be responsible for the preparation and mailing of certain correspondence as well as the distribution checks to the members. In addition, EquiServe will operate a Call Center (to field the thousands of phone calls expected after each mailing) and will process information received from the members both before and after the distribution. The SDL anticipates that he will seek this Court's approval of EquiServe's contract in August, 2002.

Once the membership schedule is created, the SDL will prepare a plan for distributing GAMHC's assets. The SDL has begun work with GALIC, PricewaterhouseCoopers, and EquiServe to develop this plan. While the distribution plan is in its beginning stages, it must contain the following essential elements. Section 4.2 of the Plan of Reorganization requires that the Liquidator give notice to each member of the basis for determining the amount of the member's membership interest. The Liquidator shall apply to this Court for procedures to give the members notice of a basis for determining the amount of their membership interest and an opportunity to object thereto. If the Internal Revenue Service requires GAMHC to withhold taxes from members' distribution checks, then GAMHC will send each member a form with the necessary tax information before the distribution is made. Finally, the SDL will provide the Court with a detailed description of the actual check distribution process. The SDL plans to submit this application in the fourth quarter of 2002.

INQUIRY INTO THE LIQUIDITY CRISIS

The inquiry into the liquidity crisis has focused on three (3) main entities; the officers and directors of GAMHC and its subsidiaries, the participation of the outside auditors, and the

involvement of the investment bankers. The inquiry into the involvement of the officers and directors is complete and recommendations have been made to the statutory Liquidator. The inquiry into the auditor's and investment banker's involvement in the liquidity crisis is ongoing, and the Special Deputy Liquidator anticipates that they will be completed soon.

INVESTMENT OF THE PROCEEDS

To date, GAMHC's investment managers A.G. Edwards of St. Louis and Central Bank of Jefferson City, Missouri have been successful in growing the Fund from \$1,200,000,000.00 to \$1,370,913,974.00. The only unusual issues facing the investment managers relate to discrepancies in the division of the beginning amounts transferred to the investment managers and some subsequent refunds received by GAMHC. A.G. Edwards has requested that some consideration be made regarding these discrepancies. The SDL is working with both investment managers in order to resolve these issues.

RESOLUTION OF CLAIMS

Pursuant to the Stock Purchase Agreement and the Plan of Reorganization GAMHC is faced with two types of claims. The first category of claims has been presented by MetLife pursuant to its indemnification rights under the Stock Purchase Agreement. The second group of claims either fit the definition of excluded claims pursuant to the Plan of Reorganization or are claims made by persons or entities other than MetLife against GAMHC itself. The SDL has developed a procedure for resolving these claims and plans to submit an application for approval of this procedure in August 2002.

Under Articles VIII and X of the Stock Purchase Agreement, MetLife has a right to make certain indemnity claims against GAMHC. The Stock Purchase Agreement and the Plan of Reorganization provide a procedure on which those indemnity claims will be resolved. The status of the indemnity claims has not changed since the SDL filed his accounting to the Court

on February 21, 2002. The SDL anticipates that these claims will be resolved before January 2003.

TAX ISSUES

GAMHC is in the process of resolving several issues relating to state and federal tax. The majority of the issues relate to audits relating to the taxable years 1997 through 2000. At GAMHC's request, the Internal Revenue Service combined the audits for these years into one large audit. The results of this affect MetLife's indemnification rights under Article VIII of the Stock Purchase Agreement. MetLife has notified GAMHC that it might seek an extension of the January 2003 limitation on tax related indemnity claims contained in the Stock Purchase Agreement and the Plan of Reorganization. The Internal Revenue Service has filed an IRS Notice 2002-2, which is essentially a discovery request regarding a GALIC tax shelter known as the "contingent liability." GAMHC and MetLife are negotiating a resolution to this issue both between themselves and with the Internal Revenue Service. At this time the Internal Revenue Service has presented GALIC with fifteen "Form 5701 proposed adjustments" from the taxable years 1995 through 2000. These adjustments will affect GAMHC's gain from the stock sale, but the extent of the impact is not known at this time. The tax issues have been and continue to be one of the most complicated areas of this receivership and will require considerable effort to resolve.

Respectfully submitted,

**GENERAL AMERICAN MUTUAL HOLDING
COMPANY**

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SPECIAL DEPUTY LIQUIDATOR

Certificate of Service

I hereby certify that a copy of the above and foregoing was sent facsimile on _____
_____, 2002, to the following:

Albert A. Riederer

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ATTORNEY FOR METROPOLITAN LIFE INSURANCE COMPANY